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Viewing cable 06PORTAUPRINCE1205, HAITI: PETROCARIBE IMPLEMENTATION STALLED

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Reference ID	Created	Released	Classification	Origin
06PORTAUPRINCE1205	2006-07-07 13:03	2011-08-30 01:44	CONFIDENTIAL	Embassy Port Au Prince

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TAGS: [ENRG](#) [EPET](#) [ECON](#) [EAID](#) [HA](#)
SUBJECT: HAITI: PETROCARIBE IMPLEMENTATION STALLED

REF: PAP 803

Classified By: Ambassador Janet A. Sanderson for reason 1.4 (b) and (d)

1. (C) Summary: The 100,000 barrels of petroleum, from the initial PetroCaribe shipment to Haiti on May 14, remain in storage facilities at the port and have not been put on the market. To date, no second PetroCaribe transport ship has been scheduled to arrive. Edouard Baussan (President Rene Preval's PetroCaribe confidant and vice-President of Haiti's only domestic oil company, Dinasa) told the Ambassador that PetroCaribe will not solve Haiti's petroleum problems -- like the high price of fuel -- and that the government would use only the interest on the loan from Venezuela for social projects. He said the three international oil companies in Haiti feel uninformed about Haiti's PetroCaribe plan and are wary of how PetroCaribe will affect their operations. Post suspects the PetroCaribe agreement was political showmanship for Preval's inauguration day, and that Haiti may not move forward to implement the program. End Summary.

PetroCaribe: Dead or Stalled?

2. (C) Ambassador met June 2 with Edouard Baussan (President Rene Preval's PetroCaribe confidant and vice-President of Haiti's only domestic oil company, Dinasa) to discuss Haiti's progress with the Venezuelan energy initiative, PetroCaribe. Preval designated Baussan, and by extension Dinasa, to manage the stock of PetroCaribe fuel on behalf of the national electricity company (Electricite d'Haiti -- EDH), the "state-owned" oil company. Baussan opened the meeting by explaining the problems Haiti faces as the price of fuel rises: in a country with little infrastructure and malfunctioning institutions, the economy is not equipped to deal with a steep rise in the cost of fuel. He admitted that PetroCaribe will not solve the problem of high fuel prices in a tight world market, but said it would give the government access to much-needed cash.

3. (C) According to Baussan the first PetroCaribe shipment remains in the storage tanks at the Varreux Port because distribution channels have yet to be established. To date, no second PetroCaribe transport ship has been scheduled to arrive. Baussan said Preval's government initially thought that the PetroCaribe agreement would allow for more flexibility to resolve stipulations in the agreement that Haiti is not prepared to handle, like transport and insurance. However, the government has realized that Venezuela will not give Haiti any special consideration. Baussan also pointed out that the GOH is wary of disturbing the distribution of fuel by the four oil companies, including Dinasa, given the inconsistent and unreliable history of PetroCaribe in other Caribbean nations. The "industry ship," the fuel tanker shared by all four oil companies in Haiti, has continued to arrive on its regular schedule and meets Haiti's relatively small petroleum demand.

Haiti's Initial PetroCaribe Plan

4. (C) Baussan discussed the new government's plans for the PetroCaribe funds, though he had no details beyond the initial planning stages. Based on the PetroCaribe agreement (in which the GOH pays for 60 percent of the fuel up front and pays for the additional 40 percent over a 25 year span with a one to two percent interest rate), Baussan estimated the GOH would save USD 100 million per year from the delayed

payments. He stressed that PetroCaribe is not a subsidy program and that the funds earned from the donated fuel cannot be consumed, but instead must be put into a trust fund, for later re-payment to Venezuela. The interest earned on the amount would be used for social projects in Haiti.

15. (C) Baussan commented that Haiti consumes about 11,000 barrels of gasoline per day, 6,000 of which he estimated would come from PetroCaribe channels. When asked how the international oil companies in Haiti -- Chevron, ExxonMobil, and Total -- have responded, Baussan said that the government has not communicated its plan to them. Reportedly, the newly appointed Minister of Economy and Finance Daniel Dorsainville has been too busy to brief the international oil companies. (Note: Separately, the Ambassador met with representatives of ExxonMobil and Texaco. Both companies were concerned and curious about how Preval planned to implement PetroCaribe. However, neither company felt especially threatened by the agreement, and they have not modified their operations in Haiti. End note.)

Falling Fuel Prices and Increase in Electricity not Related to PetroCaribe

16. (U) Since Preval's inauguration, Port-au-Prince has experienced an increase in electricity supply. In early July the price of petroleum, which had risen by nine percent since late April, decreased by ten percent. Though Haitians are inclined to thank Venezuela for both improvements, neither are related to PetroCaribe. EDH has been supplying electricity from the hydro-electric dam, Peligue, and the reduced price of fuel is due to a drop in the world market price.

17. (C) Comment: Baussan is the third Haitian close to Preval -- including the former Minister of Finance Henry Bazin (reftel) and Gabriel Varret, [should be Verret] Preval's economic advisor -- to give Post the impression that Preval is not well-versed in the PetroCaribe agreement and not seriously concerned with its requirements. All three have also said that the GOH does not have a plan for implementation. Both Haitian and Venezuelan governments reportedly ignored key articles in the interest of time for the ceremonial signing on May 15. PetroCaribe seems stalled indefinitely, and it is possible that Haiti will not move forward with the agreement. The first and so far only ship, which was a minor victory for Venezuela's Caribbean campaign and a tangible sign from Preval to his constituents that he will bring change, may mark both the beginning and the end of PetroCaribe in Haiti. SANDERSON

=====CABLE ENDS=====